

February 26, 2015

TO: Members of the Labor and Public Employees Committee
FR: Connecticut Bankers Association
Contacts: Tom Mongellow, Fritz Conway
RE: S.B. No. 908 AN ACT ALLOWING EMPLOYERS TO PAY WAGES USING PAYROLL CARDS
Position: SUPPORT

House Bill 5315 would enable payroll cards as an additional acceptable method by which an employer in Connecticut can pay its employees.

A payroll card is a reloadable, prepaid, Visa/MasterCard branded debit card issued to an employee by the employer. The employer creates a master payroll account through a bank using its own tax identification number and maintains it on behalf of those employees that want to receive their pay by a payroll card. The payroll card operates just like a debit card attached to a checking account, in that the owner is assigned a PIN and the card can be used at any ATM, point-of-sale (POS) device, grocery stores, gas station and virtually all retailers.

The card can also and quite simply be treated just like a paper paycheck and cashed out to the penny at any bank or credit union in the state. Alternatively, an employee can cash out just a portion of their wages for cash and then use the card to make point of sale purchases, get cash back after those purchases, and make online bill payments or purchases.

For undocumented, unbanked or under-banked employees that do not have, or choose not to have a bank account, a payroll card provides access to many fee-free financial services they would not otherwise have. Nationwide it is estimated that 25% of the population is unbanked and that does not include undocumented workers.

Importantly, the enactment of HB 5315 would allow unbanked individuals to avoid having to use costly check cashers for their financial service needs. When using check cashers, employees risk robbery and injury after cashing their payroll check, loss or forgery of the paycheck, and as mentioned, significant charges to obtain their monies. This is especially true for undocumented workers who are very unlikely to report a crime and thus are easy targets for criminals. Police departments routinely investigate robberies of this nature.

The average annual cost of using a check casher exceeds \$1,100 per year – or \$21.15 a week. The average annual cost to the employee of using a payroll card is just \$78 – just \$1.50 a week.

Another significant advantage of the payroll card for undocumented workers is that it provides a simple, cost effective way to access ATMs, POS devices and purchase goods in stores – without having to apply for a tax id number (TIN) which is necessary to open a bank account. Without a TIN, the paycard is the best way those employees to participate in the safe delivery of their payroll, and the affordable access to the financial payment systems that most of the State's population enjoys.

Employee/Card Holder Protections: The bill establishes numerous requirements that must be satisfied by payroll card issuers (banks) and their programs - in order to protect and fully disclose to employees their rights when using the payroll card. The bill:

Allows the employee to choose the payroll card as a method of pay (opt in).

Entitles an employee to make at least one free withdrawal or transfer per pay period.

Prohibits an employer from passing on to the employee any of the employer's costs associated with paying wages through a payroll card.

Requires that employees be provided with a free means of:

- Checking account balances electronically; and
- Accessing their history of account transactions for at least the previous 60 days.

Requires employers to provide the employee clear and conspicuous notice, in writing of the following:

- The terms and conditions governing the use of the payroll card.
- A list of any fees that may be assessed by the payroll card issuer.
- The methods available for accessing the employee's full wages and card account balances without any fees.
- Disclosure of whether third parties may be able to assess additional fees when funds are accessed through specific means.
- The methods, other than payroll card, by which an employee may receive wages.

Prohibits payroll card accounts from being linked to any form of credit.

Allows payroll cards to bear an expiration date (like a bank debit card) provided the funds on the card itself do not expire.

Benefits for Businesses: Payroll checks are the most expensive means of paying employees due to the administrative time due and cost of reconciling accounts, replacing checks, forgery, embezzlement, fraud and payroll service costs. The payroll card solution provides a much more secure and simpler system by which employers can manage their day to day payroll system need.

For all the above reasons, we strongly urge your support of Senate Bill 908.